Election Funding in India

What is next after Demonetisation?

\n\n

\n
- The massive demonetisation exercise undertaken by the Indian government has caused widespread disruption of cash transactions.
\n
- Much of the focus right now is, quite rightly, on mitigating the short-term pain being suffered by the innocent.
\n
- It is also probable that only a small proportion of black wealth will be destroyed as most of it is held in other forms such as benami property and undeclared bullion or foreign assets.
\n
- The big impact could be on future flows. The disruption of cash transactions will hit all illegal activities and even some legal ones that seek to stay out of the tax net or the public eye.
\n
- This disruption must be used to secure the longer-term policy and institutional changes that constrain sufficiently the re-emergence of these malpractices.
\n
- One such area is the financing of elections by candidates and political parties.
\n

\n\n

Present scenario of election funding

\n\n

\n
- As of now, the sources and uses of party funds are opaque not just to the public and the regulators but also to party members.
\n
- Much of this comes as secret contributions from profit seekers wanting unjustifiable preferences in purchase and construction contracts, or

appointments and postings, or policy changes designed to aid them vis-a-vis some competitor.
\n
- It may even take the form of outright extortion. Worse still, it may involve turning a blind eye to criminal activities.
\n
- The rot in political funding goes beyond the family-controlled parties.
\n

\n\n

Some estimates

\n\n

\n
- Consider election funding. The law, as recently amended, permits candidates an expenditure of around Rs 4 per voter in the Lok Sabha elections.
\n
- Even the administrative cost of running the 2014 election amounted to over Rs 40 per voter, according to Election Commission estimates.
\n
- The major political parties — Bharatiya Janata Party, Indian National Congress, Bahujan Samaj Party, Nationalist Congress Party, Communist Party of India (Marxist) and Communist Party of India — reported expenditure of Rs 1,897 crore in this election year.
\n
- Informed estimates put the spending in the 2014 Lok Sabha election at around Rs 30,000 crore. As for sources of funds, Rs 1,130 crore came from unknown sources.
\n

\n\n

Public Funding

\n\n

\n
- Proposals for public funding of candidates and parties have been on the table for quite some time.
\n
- But, citizens and taxpayers will not accept this to finance family fiefdoms or parties that take public funds but continue to draw in undeclared private money as well.
\n

- Public funding of candidates or parties requires a more credible law on spending and a much tougher monitoring process than at present.
\n
- It has to go hand in hand with radical reforms in the functioning of political parties.
\n
- Public funds should only go to parties that meet certain mandatory standards of inner party democracy and transparency in their income and expenditure.
\n

\n\n

Public Funding in other countries

\n\n

\n
- Public funding of parties and candidates is quite common in democracies. According to an international database, 130 countries provide direct public funding to political parties.
\n
- In a large number of countries, public funds are provided regardless of whether an election is imminent or not, in some countries public funding kicks in only for elections.
\n
- Generally, the funding is made available to the political party rather than the candidate, though the distinction is tenuous in a presidential system like in the USA.
\n
- In Canada, which has a parliamentary system, there are two separate categories of election subsidy, one for individual parliamentary candidates, the other for the national party organisations.
\n

\n\n

What can be the criteria?

\n\n

\n
- Parties must be required to establish their credibility by mobilising resources directly from their members and supporters, at least for routine organisational purposes.
\n

- The focus of public funding should be on the high costs incurred by parties to fight elections.
  \n
- To repeat the proposal from eleven years ago, a two-part election funding system could be considered.
  \n
- The first part would give a certain amount of money to recognised political parties in proportion to the votes secured by them in the seats where they won or saved their deposits.
  \n
- The seats where they lose their deposits have to be ignored. This is to prevent parties from putting up candidates in hopeless seats simply to increase their vote tally.
  \n
- The second part would give funds to all candidates who save their deposits so as to make it easier to challenge the incumbents without having to finance the less credible and possibly frivolous candidates.
  \n
- Public funding need not rule out transparent private funding, say by business lobbies or trade unions, where regulatory disclosures and a watchful media would allow voters to make their own judgements on what such funding implies.
  \n

\n\n

How can such a change be implemented?

\n\n

  \n
- If we leave it to Parliament, then the differing interests of national and regional parties and of party hierarchies and individual parliamentarians will lead to a stalemate.
  \n
- A committee of former chief election commissioners could be asked to recommend the modalities of funding and the mandatory standards of democratic functioning and financial transparency that parties must follow to be eligible for public funding.
  \n

\n\n

Impact of reforming election funding

\n\n

\n
- Putting an end to political corruption will be a game changer for our democracy and law and order as it will break the politician-criminal nexus.
\n
- The economy will gain as it will reduce policy distortions, high-level bureaucratic corruption and black money generation in transactions that depend on discretionary official patronage.
\n

\n\n

\n\n

Category: Mains| GS-II | Electoral Reforms

\n\n

Source: Business Standard

\n\n

\n